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Subject: "Farm Auctions and Price Control"

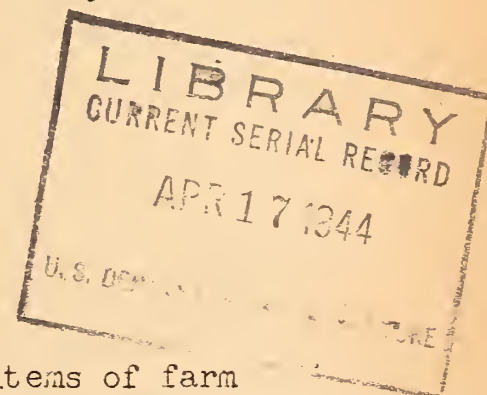
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Suggested Use: Background Information

All new and secondhand farm equipment is under price control when sold by a dealer. In addition, eight used items are covered by OPA ceiling prices, even when sold at auction or by one farmer to another. These eight items are:

- (1) Combines
- (2) Corn binders
- (3) Corn pickers
- (4) Farm tractors
- (5) Hay balers (motor or tractor operated)
- (6) Hay loaders
- (7) Manure spreaders
- (8) Side delivery rakes

A combination of any of these items with other items of farm equipment specifically designed for mounting thereon, when the combination is sold as a unit, is also covered by OPA ceilings.



How Price Control Keeps 'Em Down on the Farm

A substantial amount of secondhand farm equipment changes hands at auction.

These eight items named above are under price control at auction or individual sale because they are of such value to farm production that they must be kept in production and out of speculation.

Under present conditions, if there were no price ceilings on such machinery, it would probably bring a higher price almost every time it changed hands.

Without price control, the average farmer would not be able to buy these scarce machines. Speculators, with unlimited bank accounts, would be able to outbid the real farm machinery users, buy up this equipment, sell it at still higher prices to other speculators who would in turn dispose of it at a profit. Anyone who has attended a farm auction recently and witnessed the lively bidding for scarce pieces of machinery, will realize that were it not for price control, this would actually be the case. If there were no price control, a farm tractor, for instance, could easily travel from auction to auction all season long turning a profit for its various owners, but never once turning a farrow.

It is just such a situation which the OPA farm machinery price ceiling regulation (M-133) was designed to prevent.



In brief, M-133 provides for:

- (1) OPA ceilings according to the make, model, transportation and handling charges of all new farm machinery and parts.
- (2) OPA price ceilings, according to the make, model, transportation, and handling charge of all dealer-sold, used machinery and parts.
- (3) OPA price ceilings for the eight items listed above even when sold at auction or by one farmer to another.

No matter how many times a used tractor is sold at auction, and no matter what price is paid for it, it can not legally be sold for any more than the ceiling price for auction and individual sales. The only exception is when the tractor is sold to a service dealer who reconditions it and sells it to a farmer with a written guarantee. In this case the dealer is allowed a reasonable profit for repairing the tractor. Thus, under OPA price control, there is no reason for buying a tractor for any purpose other than to use it on a farm, or to repair and resell it to a farmer.

#### This Is the Way Price Control Works at an Auction

If the machine (any of the eight listed) or a combination of the listed machines is sold within one year of the date of the sale when new, the OPA ceiling price is 85 percent of the "base price". If older than that, it is 70 percent of the "base price".

The "base price" represents the manufacturers suggested retail price F.O.B. factory. In order to figure the auction ceiling price in exact dollars and cents, it is necessary to know the make and model number, and to look up the suggested retail price in the dealer's catalogue. In figuring the ceiling price for auction or private sale, no allowances are made for transportation, handling, or for any other reason. A tractor which is listed in the catalogue new for \$900 can bring \$765 if sold within one year of purchase; \$630 if older. It can sell for less, but the auctioneer, the owner, and the man who buys it are breaking the law if it goes for any more than the OPA ceiling price. OPA district offices are prepared to answer questions about auction ceiling prices.

OPA ceiling prices allow the farmer who wishes to dispose of a tractor at auction, or through a private sale to another farmer, a fair price. At the same time, the ceiling prices do not permit the piling on of extra charges or profits as a premium for keeping the tractor out of production while constantly changing hands. OPA ceiling prices make it possible for the farmer who needs a piece of used equipment to buy it at a fair price. If he were forced to pay inflation prices for the equipment he needs, his costs of farm production would increase.

#### Some People Have Tried to Get Around OPA Price Ceilings

Articles have been sold in combination -- an old fence post and a tractor, for instance -- with the understanding that the tractor would be sold at ceiling to the man who bid the most for the fence post. Another time, the wheel weights mounted on a tractor were auctioned separately for more than the price of new weights; the tractor went with them at ceiling. A farmer bid \$200 over the new price for an old cultivator (not price controlled when auctioned) in order to get an option to buy a tractor at ceiling. Such practices have always been considered evasions of the law; now they are expressly forbidden.

This is what OPA does to protect you at auction sales.

1. The auctioneer must send notice of sale to the OPA district office.

2. After receiving this notice (or upon learning of the sale) the OPA Price Officer will try to see that the auctioneer and the owner are fully informed about the regulations. Sometimes he sends them copies of the regulations and the chart. He will be glad to show them how to figure the ceiling or figure it out for them.

3. An OPA representative often attends auction sales. OPA does not have sufficient staff to send a man to every sale, but they spread out as best they can. His purpose in coming to the sale is to be of assistance. He is not there hoping to catch a violation. He introduces himself to the owner and the auctioneer and they know they can call on him for price information. However, if a sale is made above the ceiling price, it is his duty to report the details to his OPA office.

#### What to Do When the Bidding Hits the Ceiling

The farmer who buys a piece of equipment for use on his farm for over the ceiling price is equally responsible with the auctioneer and owner for a violation of war-time laws. He should stop bidding when the ceiling is reached. It is the duty of the owner to stop the auctioneer from inviting bids over the ceiling.

It is the duty of the auctioneer to stop asking for additional bids after the ceiling is reached, even though the owner says to continue.

#### What Happens When There Are Several Bidders at Ceiling?

Many times, when there are several bidders willing to pay the ceiling price, the bidders' names are put into a hat and lots are drawn for the equipment in question.

It has been suggested that a jury of farmers, or a farm representative who knows local conditions, be selected to award the tractor, or other ceilinged farm machinery to the bidder who needs it most. A farmer should be able to go to an auction and bid on a piece of machinery with the assurance that if he needs it more than any of his neighbors, he will be able to buy it -- and at the ceiling price.

The farm auction is a part of the American scene. OPA has no desire to interfere with this way of doing business other than to set top limits to the prices of certain scarce and highly important farm machinery.

Farm tractors, combines, corn binders, are also a part of the American scene; the place for them is on the farm. This is especially true in wartime when maximum production is the goal of every farmer. Such equipment must be kept in the hands of producers...out of the hands of speculators, who would do nothing with it except buy and sell it for a handsome profit. Every farmer has a responsibility to see that this is done.

